

FY 2024 Budget Questions & Answers

Finance Committee

Dept. Number, Name + Account	Questioner's Name/Question	Response
TOWN ADMINISTRATION		
990 Health Insurance Trust	<p>FitzPatrick: In FY24, we are budgeting \$12,367,589 which represents a \$721,295 or a 6.19% increase over our FY23 health insurance budget. Of the \$12,367,589, \$1,460,061 is to be budgeted in the 945 Risk Management budget to fund the Medicare supplemented plan.</p> <p>I think it was page 153 of the budget.... I thought I saw the balance of the trust started with .7m and now is 2M. I'd like to see how all these numbers relate including the 10.9 m you reference below.</p>	<p>Hicks/O'Donnell/Collins/Beyer – The \$1,460,061 represents the projected FY24 expense for the Medicare plans. It allows for an increase of 5% effective 1/1/24.</p> <p>The \$10,907,528 represents the projected town contribution to the partially self-insured plans for FY24. We budgeted for a 6% increase effective 11/1/23.</p> <p>The \$2m balance consists of employee and town contributions in excess of expenses incurred during the period of March 2022-June 30, 2022. This balance is comprised of \$721K transferred from the health stabilization fund, monthly town and employee contributions during those three months (less costs), and an additional \$576,508 transferred from the Town's Risk Management (945) budget on June 30th. This was done in an effort to help the trust achieve its goal of a \$3.9M fund balance in order to cover 3-6 months of expenses (as recommended by the insurance broker).</p>
990 Health Insurance Trust	Greene: Has the Pillar program started yet? If so, what kind of savings have we realized?	<p>Hicks/O'Donnell/Collins/Beyer – Yes, the Pillar program started on 11/1/22. We just received the report from November, and it saved the town \$31,022.96. It is estimated that our annual savings will be 176K. These Rx savings are direct to the bottom line. The Town pays less for the drugs, so the savings is in the claims. There is no</p>

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		quarterly settlement adjustment.
990 Health Insurance Trust	Greene: Could you please give an overview how the Health Insurance Trust program works? How does the Trust set the rates and how do we choose the projected rate increase?	<p>Hicks/O'Donnell/Collins/Beyer – Before self-funding, BCBS set the rate increase, we negotiated, settled on the annual premiums – paid the BCBS bills based on number of employees enrolled. If our premiums paid exceeded the medical expenses incurred, BCBS kept the difference. Being partially self-funded allows us to review our own usage, set rates, receive rebates, and accumulate savings when our premium payments are higher than our medical expenses. The savings can be kept on deposit for use against future claims and provides a cushion when we experience higher claims. If enough savings accumulate, we have the flexibility to reduce premiums.</p> <p>The Trust remains in control by setting the rates based on utilization and estimated cost increases.</p> <p>Our broker, HUB, provided us with analysis to help support our decision making while setting the 11/1/22 rates. Their experience is very valuable to the Trustees, but we looked at all the data very critically and set the increase at a rate that we thought was appropriate and reasonable.</p> <p>The towns budgeted amount gets deposited into the Health Insurance Trust Fund monthly and the employee share gets deposited as well.</p>

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		<p>BCBS bills us based on actual usage each month. That bill reflects claims, rebates, and stop loss reimbursements. As we pay bills, we may see the fund balance grow or decline as every quarter a reconciliation is performed to “true up” based on actual claims, rebates, and reimbursements.</p> <p>If we show a savings at the end of the year – in other words, if our premiums payments exceed the bills we have paid, that money is left in the account to support our target balance. If at some point the target is met, the savings could be considered to offset future rate increases.</p>
990 Health Insurance Trust	Greene: What is the target goal for a balance in the Trust?	Hicks/O'Donnell/Collins/Beyer - The target goal is 3 to 6 months of claims. That is the recommendation of both BCBS and HUB. For Westford that would put the balance at between 3.9M and 7.8M.
990 Health Insurance Trust	Greene: Can you describe how the stop loss insurance works?	Hicks/O'Donnell/Collins/Beyer - Stop loss insurance protects the town against large losses. We contract with a stop loss insurer (currently Sun Life) who reimburses the town for claims that exceed \$125k. When a claim goes above 125K, the overage is submitted to our stop loss insurance carrier who will reimburse us, usually within 30 days.